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# A Way Out for Capital and Labor

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## I
## The Impossible Situation

THE WEAPON OF THE LABOR-UNION—FORCE

Although much might justly be said as to what labor-unions have secured for wage-earners, and as to the necessity for such organizations, in case employers are not willing to do what is fair in relation to their employees, yet, from the point of view of the man responsible for the operation and success of a business, the labor-union is a militant organization, **to get results by force.** Whatever may be the motive, there is the purpose to compel. Force need not necessarily be physical; but reliance upon pressure or force, of one sort or another, underlies the union's effort.

The labor-union makes its own decisions regarding policies and standards, and, as far as possible, **compels** employers to accept these decisions.

The strike is the great weapon of the labor-union. This is the economic, and often the physical, force which the labor-union brings to bear upon the employer, **to compel him to act.** Always the labor-union seeks to make the strike-weapon more and more effective.

Wherever the labor-union can establish the closed shop (a shop where only union members can be employed), the strike-weapon is obviously more effective. Therefore, the labor-union seeks the closed shop.

To make the strike-weapon even more effective, the labor-union opposes the forces of law and order. The militia and the state constabulary, when used to afford the protection of law, weaken the effectiveness of a strike; and therefore the effort of the labor-union is, constantly and unceasingly, to seek freedom from this interference.

The labor-union seeks to get more for the workman and to make it possible for him to work less. **Whatever the workman gets, the labor-union is interested in seeing him get more; however little he may work, it is better if he works less.** Apart from this, there is no goal for the labor-union.

In this same spirit, and for a like purpose, the labor-union seeks to limit a workman's output.

Restriction of output is brought about in part by insistence on a uniform wage—which means that there is no reward for hard work, and loafing on the job is encouraged rather than penalized.

Not only are there efforts to limit output, but there are similar efforts to increase the number of men who must be employed.

For a similar purpose are the elaborate rules governing the nature and extent of the work of the carpenter, the electrician, the machinist, the boilermaker, the housesmith, and other union members.

One very serious effect of these efforts of the unions comes from the fact that at times they cannot agree among themselves regarding the work to be done by each union, and then great so-called "jurisdictional" rows tie up operations. Meanwhile, the employer is helpless.

The very nature and basis, therefore, of the labor-union movement arrays employer and employee in battle. **The organization is for struggle**—to compel an adversary to act against his will. Throughout the whole movement is the thought of class-antagonisms. For generations the campaign has been organ-

ized in this spirit and for this purpose. There must be no fraternizing with the enemy. All efforts to develop a common enterprise are opposed. The campaign is for contest and struggle. The weapon is the strike. **The goal is more pay, less work.**

THE EMPLOYER INITIATED THE STRUGGLE

The struggle between the employer and the labor-union is not constructive on either side.

The labor-union struggles for power to compel action by the employer; the employer struggles for power upon his part.

If he is forced by the union, he "gives in" as little as possible, and bides his time.

Later, when economic conditions favor him instead of the union, he recovers, if he can, what he has given up, and gains, if possible, additional advantage in order to prepare for the next onslaught.

This attitude of the employer, and the methods he has used in fighting the unions, are no doubt responsible for much that the unions do.

Thoughtful men must in time see that what is needed is common effort. Production is clearly the true purpose of industry; employer and employee are inevitably engaged in a common enterprise.

The endeavor to get great power for the labor-union or great power for the employer must retard sound, constructive development.

When the employer is engaged in a hard struggle to resist the unions, he cannot, even if he is so disposed, give the proper support to the development of a relationship sincerely based on this common effort.

Thus the great struggle between the employers and the labor-unions has necessarily made constructive work difficult. Passions are aroused, the atmosphere is one of suspicion and fear. Always there is the need of protection from attack.

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## II
## A Way Out

FAIR WAGES, HOURS AND WORKING CONDITIONS, ARE QUESTIONS OF FACT

However, there has already been developed in a number of companies a relationship between employer and employee which gives promise of an ultimate solution of this underlying industrial problem.

Even now it is clear that, instead of the future promising, at the utmost, no more than the prospect of a drawn battle, with its disastrous consequences, there is ground for hope of a real common effort in industry, an effort based on the true principle of a joint enterprise. This relationship rests upon this great cornerstone—this all-important fundamental:—**fair wages, hours, and working conditions are questions of fact, to be decided as such.**

The rise and fall of activity in the business cycle bring times when there is much unemployment, when there are many seekers for a job and, often, at any wage or for any hours or under any conditions which will give a bare livelihood. At such times the employer has a great economic advantage in fixing the wages, hours, and working conditions of his employees.

The underlying principle of the relationship under discussion is that **the employer shall not take advantage of the opportunity thus given to him.** On the contrary, it is based upon the fact that, at any time, for any company, there is a fair wage that can be paid, if any wage can be paid. The conditions in the company, in the industry, and general business conditions, determine this. Sometimes it is higher, sometimes lower; but whatever it is, it is not to be determined by the amount at which men would rather work than be out of employment. Likewise, this is equally true of hours of labor and of other conditions of work. What this wage is, what these hours are, what these conditions of employment are—these are questions of fact, to be determined as such.

Confusion and harm have come from the use of the expression "collective bargaining."

Bargains are reached between negotiators. **Where a man must sell, and this fact is known, there can be no true bargain.**

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COMPANIES WHICH HAVE ADOPTED THIS PRINCIPLE—THE QUESTION OF FACT

In the different companies which have adopted this principle, the question of fact—what, from time to time, are fair wages, hours, and working conditions—has been determined in different ways. One way is that of the Standard Oil Company of New Jersey.

In March, 1918, this company invited the employees in its refineries to elect representatives to confer with the management. Since that time, all questions affecting wages, hours, and working conditions have been determined in conferences between representatives of the company officers and representatives of the employees. If the question affects only a department, the meeting is with representatives of this department; if an entire plant, with the representatives of the plant; if several plants, with the representatives of these plants. The number of employees' representatives varies with the size of the plant, but it is ordinarily one for each 150 employees.

In any meeting the representatives of the company are never more than the employees' representatives present, and, as each person has one vote, the company representatives never have a majority. In a practice extending now over three years, covering a period of decreasing as well as increasing wages, these meetings actually have decided the action of the company regarding wages, hours, and working conditions. The Board of Directors is the final authority; but in actual practice these matters are harmoniously settled in joint conference. This experience alone has made clear that fair wages, hours and working conditions can actually be determined from time to time as questions of fact.

The method of the Standard Oil Company of New Jersey is doubtless the most democratic, and clearly one of the simplest. A similar method is in use by the General Electric Company at Lynn, Massachusetts. Other methods are the so-called Leitch plan,—in effect in numerous companies,—and the "Industrial Republic" of the Goodyear Tire and Rubber Company. In fact, there are all kinds and degrees of plans, endeavoring more or less successfully to accomplish the same purpose.

It is by no means essential, however, that the method be democratic. Just as sometimes in political life an able and benevolent monarch furnishes a highly successful government, so in industry the officers of a company can actually determine from time to time what are fair wages, hours, and working conditions, with no more than informal contact with employees.

Of this nature is the industrial situation of the Endicott Johnson Corporation, probably the most satisfactory in the United States, possibly the most satisfactory in the world.

A sharp distinction must be drawn between those plans which are designed to, and actually do, determine what are fair wages, hours, and working conditions, as questions of fact, **and those which merely set up committees and company unions as a bulwark against the labor-unions.** In both cases there is the struggle with the labor-unions, but in the one case it is in the background. The plan of the Standard Oil Company of New Jersey and the situation in the Endicott Johnson Corporation are inevitably bulwarks against the unions, or, at least, make their work unnecessary; but the unions are in the background. In these instances the primary purpose is constructive. In many companies, however, there is no constructive purpose: the committees are merely part of a fight against the unions.

UNIONS FIGHT PLANS TO END CONFLICT

The difference is one of fact. Is the effort directed to determining what are fair wages, hours, and working conditions, or is the effort a smoke-screen to protect the company from attack, while the full force of economic pressure is brought to bear upon the employee?

Of course, the unions fight all such plans to the utmost. Where the plans are not constructive, but are merely defensive, the reason is clear. But even constructive plans like that of the Standard Oil Company of New Jersey, which are not anti-union, and which, in fact, guarantee employees against discrimination on account of membership or non-membership in any union, are opposed by the union leaders with great intensity, although the union employees of the company do not share this hostility.

There is one apparently serious objection to these efforts to determine what are fair wages, hours, and working conditions, and that is the

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contention that competition in industry makes it impossible for any one company to have fair wages, hours, and working conditions when other companies make full use of economic pressure to get lower costs, and thereby make prices to obtain what business there is when there is not enough for all. The answer to this is that, even with higher wages, shorter hours, and better working conditions, workmen applying themselves wholeheartedly produce at a lower unit-cost than do those working merely under conditions established by economic pressure.

To deal with employees in the manner described is the natural course for the corporation. The struggle between the employer and employee in the corporation is unnatural and inconsistent.

In fact, in the corporation, as it is developing, there is no employer, in the old sense of the word. The corporation to-day is a joint enterprise. The money is supplied by stockholders, bond-holders, note-holders, banks. The work is done by men and women. Money and labor together engage in production. The officers of a corporation are employees. If they have no money in the business, they supply merely labor; if they do supply money, so does the humblest workman who buys a bond or a share of stock. A stockholder or other contributor of money may any day sell out to some one else. It often happens, on the other hand, that a workman devotes his life to learning the business, and establishes his home where the company operates. An employee whose livelihood thus depends upon the success of the corporation is more truly interested in that success than any one else. Stockholders usually distribute their risks among various corporations; workmen often stake everything on the success of one corporation.

It is, therefore, a natural and normal development for the management (who are employees) to say to all the employees, "In determining what this company will do regarding wages, hours, and working conditions—we shall sit down together and decide together what to do."

CONSTRUCTIVE EFFORT IN OTHER DIRECTIONS

Wages, hours, and working conditions are not all that interest the worker. The discussion so far has been confined to these matters, because around them centres the struggle with the unions. Once, however, this struggle is in the background, constructive effort follows in many directions.

For example, if the principle is followed of deciding fair wages, hours, and working conditions as matters of fact, profit-sharing may be successfully adopted. This may become desirable, inasmuch as a well-run business may from time to time earn very large profits. These may come from team-work; they may come from the play of supply and demand, from good management, or from good fortune. They may justify high wages, and still be far beyond the reasonable expectations of stockholders.

It is hardly necessary to say that piece-work, and other methods of pay proportionate to work, also rapidly develop under the conditions discussed. This is likewise true of bonus payments, and other methods of sharing in the gains coming from effective work.

All these developments are steps toward solving one of the great problems of the world—the fair enjoyment of the world's products. Fair wages, fair hours, fair working conditions, pay in proportion to work, reward in proportion to accomplishment, profit-sharing, ownership of stock, sick-benefits, annuities, insurance, hospitals, safety, sanitation, amusement, recreation, exercise, schools, libraries, good cheap food, clothes, household goods, homes—each is a step.

More and more we learn that there is no panacea, no cure-all. The problem is not of our creation, but comes to us from the past. One step at a time, a little gain here, a little gain there, and ultimately the problem will be solved—not, however, by blind struggle, but by slow, careful, deliberate, constructive joint effort.

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